

EXHIBIT "I"

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

FRANCHISE OFFERING CIRCULAR

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**INFORMATION FOR PROSPECTIVE FRANCHISEES
REQUIRED BY THE FEDERAL TRADE COMMISSION**

FRANCHISOR:

ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.

(a Colorado corporation)

265 Turner Drive

Durango, Colorado 81303

Telephone: (970) 259-0554

www.rmcf.com

To protect you, we've required your franchisor to give you this information. We haven't checked it, and don't know if it's correct. It should help you make up your mind. Study it carefully. While it includes some information about your contract, don't rely on it alone to understand your contract. Read all of your contract carefully. Buying a franchise is a complicated investment. Take your time to decide. If possible, show your contract and this information to an advisor, like a lawyer or an accountant. If you find anything you think may be wrong or anything important that's been left out, you should let us know about it. It may be against the law.

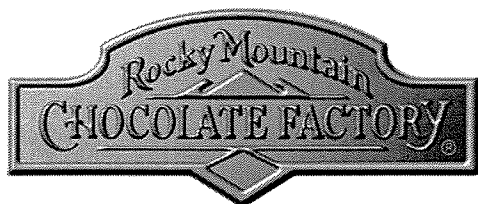
There may be laws on franchising in your state. Ask your state agencies about them.

**FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580**

THE DATE OF ISSUANCE OF THIS OFFERING CIRCULAR IS:

June 16, 2003

**FRANCHISE OFFERING CIRCULAR
FOR PROSPECTIVE FRANCHISEES REQUIRED BY
THE STATE OF CALIFORNIA**



ROCKY MOUNTAIN CHOCOLATE FACTORY, INC.
(a Colorado corporation)
265 Turner Drive
Durango, Colorado 81303
Telephone: (970) 259-0554
www.rmcf.com

Rocky Mountain Chocolate Factory, Inc., a Colorado corporation, is offering franchises for the retail sale of gourmet chocolate and other premium confectionery products. The initial franchise fee ranges from \$19,500 to \$49,000. The estimated initial investment for a franchise ranges from \$88,500 to \$430,500.

Risk Factors:

- 1. THE FRANCHISE AGREEMENT PERMITS THE FRANCHISEE TO SUE US ONLY IN COLORADO. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT. IT MAY ALSO COST YOU MORE TO SUE US IN COLORADO THAN IN YOUR HOME STATE.**
- 2. THE FRANCHISE AGREEMENT STATES THAT COLORADO LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.**
- 3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.**

Information comparing franchisors is available. Call the state administrators listed in Exhibit A or your public library for sources of information.

Registration of this franchise by a state does not mean that the state recommends it or has verified the information in this Offering Circular. If you learn that anything in this Offering Circular is untrue, contact the Federal Trade Commission and the state authority listed in Exhibit A.

Effective date: June 16, 2003

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EXHIBITS

Exhibit A	List of State Agencies/Agents for Service of Process
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Exhibit D	Franchisees Who Have Left the System
Exhibit E	Financial Statements
Exhibit F	Operations Manual Table of Contents
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ITEM 1**THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES****The Franchisor.**

The name of the franchisor is Rocky Mountain Chocolate Factory, Inc. For ease of reference, Rocky Mountain Chocolate Factory, Inc. means “we” or “RMCF” in this Offering Circular. We refer to the person who buys the franchise as “you” throughout this Offering Circular. If you are a corporation, partnership or limited liability company (“**Business Entity**”), certain provisions of the Franchise Agreement also apply to your owners as noted in the Franchise Agreement.

Our principal offices are located at 265 Turner Drive, Durango, Colorado 81303. We presently do business under the name “Rocky Mountain Chocolate Factory, Inc.” We were formed in November, 1982, as a Colorado corporation. We have no predecessors or affiliates. Our agents for service of process are listed on Exhibit A.

The Franchise.

We offer franchises for the establishment and operation of retail stores (“**ROCKY MOUNTAIN CHOCOLATE FACTORY Stores**” or “**Stores**”) which sell gourmet chocolates and other premium confectionery products, featuring ROCKY MOUNTAIN CHOCOLATE FACTORY brand candy that you purchase from our factory in Durango, Colorado (“**Factory Candy**”), confectionery items that you make in the Store, such as caramel apples (“**Store Candy**”), and non-confectionery items (“**Items**”), including gifts and small toys. We license the Stores to use the service mark “ROCKY MOUNTAIN CHOCOLATE FACTORY” and related trademarks (“**Marks**”) and our marketing plan and proprietary business methods (“**System**”).

You must sign our Franchise Agreement (“**Franchise Agreement**”), (Exhibit B to this Offering Circular). The Franchise Agreement grants you the right to use our Marks and System to operate your own Store at a business premises which we must first approve (“**Franchised Location**”). If they qualify, existing franchisees may operate “**Satellite Stores**” and “**Temporary Stores**” by signing the applicable addendums to the Franchise Agreement, Exhibits H and I to this Offering Circular. Depending on the type of retail environment you choose for your Franchised Location and the type of Store you wish to operate, we offer eight different Store plans, ranging from a full-sized Store option to a variety of “**Kiosk Stores**,” all of which we refer to in this Offering Circular as “**Stores**” or “**ROCKY MOUNTAIN CHOCOLATE FACTORY Stores**.” See Item 7.

Regulations Affecting Franchise.

There are no regulations specific to the operation of a Store in your state, although you must comply with all local, state and federal health and sanitation laws relating to food handling and the sale of food. You must comply with employment, worker’s compensation, insurance, corporate, taxing, licensing and similar laws and regulations of a more general nature applicable to most businesses.

Market Competition.

As a ROCKY MOUNTAIN CHOCOLATE FACTORY franchisee, you may face competition from firms such as Godiva Chocolatier, See’s Candy, Fannie May and Fannie Farmer, or local, independent candy stores and other specialty food stores.

Our Prior Business Experience.

We have 22 years of experience in the operation of our business and as of the date of this Offering Circular, we operate 8 company-owned Stores. We began offering franchises in 1982.

We offered franchises for retail stores which featured moving characters, lights, music and imitation candy-making machines and which sold bulk candy under the mark FUZZIWIG'S CANDY FACTORY from June 1996 through May 1998. Other than the FUZZIWIG'S CANDY FACTORY franchises, we have not offered franchises in any other line of business.

ITEM 2**BUSINESS EXPERIENCE****President, Chairman of Board and Director: Franklin E. Crail.**

Franklin E. Crail co-founded the first ROCKY MOUNTAIN CHOCOLATE FACTORY retail store in May 1981. Since our incorporation in November 1982, he has served as our President and a Director, and from September 1984 to January 2000, as Treasurer. He was elected Chairman of the Board in March 1986.

Chief Financial Officer, Chief Operating Officer, Treasurer and Director: Bryan J. Merryman.

Bryan J. Merryman joined us in December 1997 as our Chief Financial Officer. Mr. Merryman became Chief Operating Officer in April 1999 and was appointed to the board of directors in March 1999. He was elected Treasurer in January 2000. From March 1997 through November 1997, Mr. Merryman served as a principal of Knightsbridge, Inc., an investment bank in San Francisco, California. From December 1996 through February 1997, Mr. Merryman was a self-employed financial consultant in Reno, Nevada. From July 1995 through November 1996, Mr. Merryman served as the Chief Financial Officer for Super Shops, Inc., an auto parts retailer located in Reno, Nevada. From January 1984 through July 1995, Mr. Merryman served as Senior Manager at Deloitte and Touche, an accounting firm in Reno, Nevada.

Senior Vice President/Sales and Marketing: Edward L. Dudley.

Edward L. Dudley joined us in January 1997 as Vice President of Product Sales Development. In 1998, he was promoted to Vice President of Sales and Marketing and in 2000, he was promoted to Senior Vice President of Sales and Marketing. From October 1995 through January 1997 he served as the Director of Distribution Services for Allegiance Healthcare, a healthcare supplier located in McGraw Park, Illinois.

Vice President/Franchise Operations: Gregory L. Pope.

Gregory L. Pope became Vice President of Franchise Operations in June 2001. Since joining RMCF in October 1990, he has served in various positions including Store manager, new Store opener and franchise field consultant. In March 1996, he became our Director of Franchise Development and Support, a position he held until he was promoted to his present position.

Chief Information Officer: William K. Jobson.

William K. Jobson joined RMCF in July 1998 as Director of Information Technology. In June 2001, he was promoted to Chief Information Officer, a position created to enhance RMCF's strategic focus on information and information technology. From July 1995 to July 1998, Mr. Jobson worked for ADAC Laboratories in Durango, Colorado, a leading provider of diagnostic imaging and information systems solutions in the healthcare industry, as Manager of Technical Services and before that, Regional Manager.

Vice President/Creative Services: Jay B. Haws.

Jay B. Haws joined us in August 1991 as Vice President of Marketing. In 1998, we changed the name of our Marketing Department to Creative Services. Mr. Haws was closely associated with us from 1981 to 1991 through franchise ownership and marketing support services performed by Jay Haws Design and Image Group, Inc., a marketing communications firm located in northern California in which he served as Vice President from 1983 to 1989.

Secretary: Virginia Perez.

Virginia Perez has served as our corporate secretary since June 1996.

Director: Fred M. Trainor.

Fred M. Trainor became a director in August 1992. He has served as Chief Executive Officer and President of Avcor Health Care Products, Inc., located in Fort Worth, Texas, since December 1984.

Director: Lee N. Mortenson.

Lee N. Mortenson became a director in November 1987. Mr. Mortenson has been engaged in consulting, investments, troubled companies, and due diligence activities since July 2000, and has served as a Managing Director in Kensington Partners, LLC, a private investment firm located in Hickory, North Carolina, since June 2001. Mr. Mortenson has been President and CEO of Newell Resources, LLC, located in Hickory, North Carolina, since 2002 providing management consulting and investment services. He served as President, Chief Executive Officer and a director of Sunstates Corporation (formerly known as Acton Corporation), located in Raleigh, North Carolina, from May 1988 to December 1990 and he was President, Chief Operating Officer and a director of Sunstates Corporation from December 1990 to February 2000. Mr. Mortenson also served as President, Chief Operating Officer and a director of Telco Capital Corporation, a manufacturing and real estate business located in Chicago, Illinois, from January 1984 to February 2000. Mr. Mortenson was a director of Alba-Waldensian, Inc., which is principally engaged in the manufacturing of apparel and medical products from 1984 to July 1999, and served as its President and Chief Executive Officer and as a director from February 1997 to July 1999.

Director: Gerald A. Kien.

Gerald A. Kien became a director in August 1995. He is presently retired. From 1993 to 1995, he served as Chairman of the Board and Chief Executive Officer of Remote Sensing Technologies, Inc., a subsidiary of Envirotech Systems, Inc., a company engaged in the development of instrumentation for vehicle emissions testing located in Tucson, Arizona. From 1989 to 1993, Mr. Kien served as Chairman of the Board of Directors, President and Chief Executive Officer of Sun Electric Corporation, a

manufacturer of automotive test equipment located in Crystal Lake, Illinois. Mr. Kien has served as a Director and as Chairman of the Executive Committee of Sun Electric Corporation since 1980.

Director: Clyde W. Engle.

Clyde W. Engle became a director in January 2000. To the best of our knowledge, he has served as President of Coronet Insurance Company, Crown Casualty Company and National Assurance Indemnity Company, all insurance companies, since 1986 and as Chairman of the Board of Sunstates Corporation (formerly known as Acton Corporation), located in Raleigh, North Carolina since December 1985, as Chairman of the Board and Chief Executive Officer of GSC Enterprises, Inc., located in Chicago, Illinois since 1976, and President of RDIS Corporation, located in Chicago, Illinois since 1982, Chairman of the Board, Chief Executive Officer and President of Hickory Furniture Company located in Chicago, Illinois, since 1990, and as Chairman of the Board of Telco Capital Corporation, located in Chicago, Illinois, since 1977.

ITEM 3

LITIGATION

See Item 3 Addendum immediately following this Offering Circular for litigation information. Other than those 6 actions on the Item 3 Addendum attached, no litigation is required to be disclosed in this Offering Circular to the best of our knowledge.

ITEM 4

BANKRUPTCY

No person previously identified in Items 1 or 2 of this Offering Circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

ITEM 5

INITIAL FRANCHISE FEE

You must pay between \$24,500 and \$49,000 as an initial franchise fee, \$5,000 of which you must pay when you sign the Franchise Agreement. You must pay the remainder at the earlier of the date you sign the lease for a Franchised Location, or 120 days after you sign the Franchise Agreement. We discount the initial franchise fee by \$5,000 if you purchase an additional franchise. We do not give refunds of these amounts, once paid, under any circumstances. See Item 7.

We offer no financing for the initial franchise fee. See Item 10.

The initial franchise fee includes between \$5,000 and \$29,500 for opening Factory Candy inventory and cooking supplies that you must purchase from us within 30 days after your Store opens. These costs are nonrefundable in all circumstances. See Item 7.

We reserve the right to hire a professional to negotiate the lease for you and you must reimburse us for the professional's fees. We did not use a professional to negotiate any leases during our fiscal year 2003, but we estimate these fees would be approximately \$3,000 per lease negotiated. You may also hire a lease professional at your cost and discretion to negotiate your lease subject to our required provisions.

Except as set forth above, all franchisees currently acquiring a franchise pay the same initial franchise fee.

ITEM 6

OTHER FEES

<u>Name of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Product Purchase Costs ³	As stated in our published price lists	Net 30 days from invoice	We may change our price lists
Royalty ^{1,4}	5% of Gross Retail Sales each month, with a quarterly adjustment to exclude payments on purchases of Factory Candy, Store Candy ingredients and other items purchased from the Franchisor.	Payable monthly by the 15th day of the next month. Any amounts due following the quarterly adjustment are payable by the 15 th day of the next month.	"Gross Retail Sales" is defined below. Following the end of each quarter, we calculate the number of pounds of Factory Candy and other items you purchased during the previous quarter times a fixed amount depending on the item purchased and subtract that from Gross Retail Sales, resulting in an Adjusted Gross Retail Sales figure. You owe us 10% of Adjusted Gross Retail Sales each quarter. We then compare total monthly Royalty paid to the amount due on Adjusted Gross Retail Sales and you are billed or credited the difference, if any.
Interest ¹	18% per annum	On demand, but only if you are delinquent in your payments to us.	Begins to accrue the day after payments are due
Marketing and Promotion Fee ^{1,4}	1% of Gross Retail Sales	Payable monthly by the 15th day of the next month	"Gross Retail Sales" is all revenue from the Store, but does not include taxes, refunded sales, settlements, fundraising sales, corporate sales, non-inventory sales or shipping expenses charged to a customer
Inspection and Audit Fee ¹	Costs of audit or inspection	On demand	Payable only if you understate your Gross Retail Sales by more than 5%
Transfer Fee ¹	\$2,500	Before effectiveness of transfer	Payable when you transfer the Franchise Agreement, an interest in the Store or the franchise

<u>Name of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Successor Franchise Fee ¹	\$100	When you sign the then current Franchise Agreement	
Training Program Expenses ²	Costs associated with attending mandatory training session	As incurred	We may require additional training occasionally
Payments for Items Supplied by Us ^{1,4}	Then current published price	As incurred	We may charge you for all items you buy through us
Costs and Attorneys' Fees ¹	Varies under circumstances	As incurred	Payable only if you do not comply with the Franchise Agreement
Design Fee for the Interior and Layout of Relocated or Remodeled Stores ¹	\$2,500	As incurred	Payable only if you relocate or remodel your Store during the term of your Franchise Agreement
Indemnification Under Franchise Agreement ¹	Varies under circumstances	As incurred	You must reimburse us if we are held liable for claims resulting from your Store
Insurance Premiums ¹	Varies under circumstances	As incurred	If you do not pay your premiums, we can pay them for you and you must reimburse us
Administrative Fee ¹	Varies up to 15% of the amount collected by us	As incurred	If you do not pay your landlord or any other third party, we can collect the money from you and pay the person owed and you must reimburse us.

¹ Fees which we impose which you pay to us. All of these fees are nonrefundable.

² Expenses associated with travel, meals and lodging while you attend initial training sessions. You pay all of these expenses to third parties.

³ You may purchase products from us or a supplier we designate or approve. These fees are nonrefundable.

⁴ We reserve the right to require you to transfer funds to us electronically.

ITEM 7

**INITIAL INVESTMENT
FOR FULL-SIZED STORES
LOCATED IN VARIOUS RETAIL ENVIRONMENTS**

Full-Sized Store Expenditures	Full-Sized Store High	Full-Sized Store Low	When Due	Method of Payment	Whether Refundable	To Whom Payment Must Be Made
Initial Franchise Fee (See Note 1)	\$49,000	\$23,000	\$5,000 at signing of Franchise Agreement, the rest in 120 days or on signing your lease, whichever is earlier	Cash or Check	No	Us
Real Estate and Improvements (See Note 2)	200,000	74,000	Before opening	As incurred	No	Landlord, Contractor, Architect or Engineer
Furniture and Fixtures (See Note 3)	75,000	9,000	Before opening	As incurred	No	Suppliers
Equipment (See Note 3)	49,000	10,000	Before opening	As incurred	No	Suppliers
Signs	8,000	2,500	Before opening	As incurred	No	Suppliers
Opening Inventory and Cooking Supplies Purchased from Us (See Note 4)	See Note 1	See Note 1	30 days after shipping	Lump sum	No	Us
Opening Inventory and Cooking Supplies Purchased from Other Suppliers (See Note 4)	8,000	2,000	10-30 days after shipping	As incurred	No	Suppliers
Security Deposits, Utility Deposits, Business Licenses (See Note 5)	10,000	1,000	Before opening	As incurred	Deposits are refundable; business licenses are not	Suppliers
Pre-Opening Training, Travel and Living Expenses (See Note 6)	5,000	1,500	Before opening	As incurred	No	Suppliers
Additional Funds - 3 months (See Note 7)	26,500	5,500	As incurred	As incurred	No	Suppliers

<u>Full-Sized Store Expenditures</u>	<u>Full-Sized Store High</u>	<u>Full-Sized Store Low</u>	<u>When Due</u>	<u>Method of Payment</u>	<u>Whether Refundable</u>	<u>To Whom Payment Must Be Made</u>
TOTAL ESTIMATED INITIAL INVESTMENT FOR STORES (See Note 8)	\$430,500	\$128,500				

Explanatory Notes for Full-Sized Stores

Note 1: Initial Franchise Fee. The opening candy inventory and cooking supplies you must buy from us are included in this amount.

Note 2: Real Estate and Improvements. Real estate costs vary from location to location, so we cannot estimate your real estate expenditures. First, you must purchase or lease retail space that meets our standards and specifications. If your landlord at your Franchised Location requires us to sign the lease for your Franchised Location, we may hire a professional to negotiate the lease for us and you must reimburse us for the professional's fees or you may hire your own professional subject to including certain provisions in the lease. We include an estimated amount for these fees in the high number. See Item 5. Space requirements for Stores may range from approximately 300 to 650 retail square feet, resulting in cost variances to you. Your costs to improve the Franchised Location will depend in part on whether your space is completely constructed, or is the remodel of an existing space. It will also depend on the size of the space and the type of retail environment in which the Store is located. We assist you in determining which of our four different full-sized Store configurations will suit your Franchised Location. You must hire an architect to design your Store layout according to our specifications and submit a plan to us for our prior approval. Architect fees depend on the condition of the space, its location and local permitting requirements. If your Store opens in a strip center or any building other than a major mall, the landlord will sometimes pay a portion of your tenant improvements. If your Store is in a major mall or Triple A location, the landlord will usually not pay for any of your tenant improvements, resulting in higher construction costs to you. The condition of previously occupied sites varies greatly and the amount of usable space also varies greatly.

Note 3: Furniture, Fixtures and Equipment. This item includes the estimated costs to equip your Store with storage cabinets, display cabinets, cooking equipment, storage fixtures, signs, refrigeration equipment, and an integrated Store information system that includes one or two cash registers, scales and modems. Most full-sized Stores require two cash registers.

Note 4: Opening Inventory and Cooking Supplies. Because Stores may range in size from 300 square feet to 650 retail square feet, we do not have a minimum opening inventory requirement. You must maintain a minimum inventory of no less than 1,000 pounds of Factory Candy throughout the term of your Franchise Agreement. In addition, you need cooking supplies consisting of chocolate, sugar, glucose, nuts, butter, evaporated milk, fresh and preserved fruit, flavorings and other items.

Note 5: Security Deposits, Utility Deposits, Business Licenses. Security deposits range from \$0 to two months' rent; utility deposits range from \$0 to approximately \$1,500 and business licenses range from approximately \$50 to \$550, depending on your location.

Note 6: Pre-Opening Training, Travel and Living Expenses. Your travel and living expenses when you attend our initial training program vary depending on the length of your instruction, the distance you must travel and the standard of living you desire while you attend the program.

Note 7: Additional Funds. This estimates your pre-operational expenses, which are not listed above, as well as additional funds necessary for the first three months of your business operations. These figures are estimates and we cannot guarantee that you will not have additional expenses when you start the business. Your costs depend on factors such as: how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our products; the prevailing wage rate; competition; and the sales level you reach during this initial period. This item includes a variety of expenses and working capital items during your start-up phase, such as legal and accounting fees; training expenses; insurance premiums; advertising, promotional and grand opening expenses and materials; rent; employee salaries; and other miscellaneous costs. This item does not include your salary or living expenses.

Note 8: Total Estimated Investment. We relied on our 22 years experience in the industry and on information voluntarily reported by franchisees when we prepared these figures, but we have not made any independent verification of the information reported by franchisees. You should review these figures carefully with a business advisor before you make any decision to purchase a franchise. We offer no direct financing of the initial franchise fee. See Item 10 of this Offering Circular.

**INITIAL INVESTMENT
FOR KIOSKS OF VARIOUS SIZES
LOCATED IN VARIOUS RETAIL ENVIRONMENTS**

<u>Kiosk Expenditures</u>	<u>Kiosk High</u>	<u>Kiosk Low</u>	<u>When Due</u>	<u>Method of Payment</u>	<u>Whether Refundable</u>	<u>To Whom Payment Must Be Made</u>
Initial Franchise Fee (See Note 1)	\$49,000	\$19,500	\$5,000 at signing of Franchise Agreement, the rest in 120 days or on signing your lease, whichever is earlier	Cash or Check	No	Us
Real Estate and Improvements (See Note 2)	43,000	15,000	Before opening	As incurred	No	Landlord, Contractor, Architect or Engineer
Furniture and Fixtures (See Note 3)	50,000	15,000	Before opening	As incurred	No	Suppliers
Equipment (See Note 3)	35,000	25,000	Before opening	As incurred	No	Suppliers
Signs	5,000	2,500	Before opening	As incurred	No	Suppliers
Opening Inventory and Cooking Supplies Purchased from Us (See Note 4)	See Note 1	See Note 1	30 days after shipping	Lump sum	No	Us

<u>Kiosk Expenditures</u>	<u>Kiosk High</u>	<u>Kiosk Low</u>	<u>When Due</u>	<u>Method of Payment</u>	<u>Whether Refundable</u>	<u>To Whom Payment Must Be Made</u>
Opening Inventory and Cooking Supplies Purchased from Other Suppliers (See Note 4)	2,500	1,000	10-30 days after shipping	As incurred	No	Suppliers
Security Deposits, Utility Deposits, Business Licenses (See Note 5)	5,000	1,000	Before opening	As incurred	Deposits are refundable; business licenses are not	Suppliers
Pre-Opening Training, Travel and Living Expenses (See Note 6)	5,000	1,500	Before opening	As incurred	No	Suppliers
Additional Funds - 3 months (See Note 7)	8,000	8,000	As incurred	As incurred	No	Suppliers
TOTAL ESTIMATED INITIAL INVESTMENT FOR KIOSKS (See Note 8)	\$183,000	\$88,500				

Explanatory Notes for Kiosk Chart

Note 1: Initial Franchise Fee. The opening candy inventory and cooking supplies you must buy from us are included in this amount.

Note 2: Real Estate and Improvements. Real estate costs vary from location to location, so we cannot estimate your real estate expenditures. First, you must purchase or lease retail space that meets our standards and specifications. If your landlord at your Franchised Location requires us to sign the lease for your Franchised Location, we may hire a professional to negotiate the lease for us and you must reimburse us for the professional's fees or you may hire your own professional subject to including certain provisions in the lease. We include an estimated amount for these fees in the high number. See Item 5. Space requirements for Kiosk Stores may range from approximately 100 to 260 retail square feet, resulting in cost variances to you. Your costs to improve the Franchised Location will depend in large part on the size of your Kiosk Store and its configuration, including whether your space includes cooking facilities or sells only products that require no preparation. It will also depend on the size of the space and the type of retail environment in which the Kiosk Store is located. We assist you in determining which of our four different Kiosk Store configurations will suit your Franchised Location. You must hire an architect to design your Kiosk Store layout according to our specifications and submit a plan to us for our prior approval. Architect fees will depend on the condition of the space, its location and local permitting requirements. If your Kiosk Store opens in a strip center or any building other than a major mall, the landlord will sometimes pay a portion of your tenant improvements. If your Kiosk Store is in a major mall or Triple A location, the landlord will usually not pay for any of your tenant improvements, resulting

in higher construction costs to you. The condition of previously occupied sites varies greatly and the amount of usable space also varies greatly.

Note 3: Furniture, Fixtures and Equipment. This item includes the estimated costs to equip your Kiosk Store with storage cabinets, display cabinets, storage fixtures, signs, refrigeration equipment, and an integrated Store information system that includes one or two cash registers, scales and modems. Most Kiosk Stores require two cash registers. Most Kiosk Stores also require some cooking equipment, which is included in the high number.

Note 4: Opening Inventory and Cooking Supplies. Because Kiosk Stores may range in size from 100 square feet to 260 retail square feet, we do not have a minimum opening inventory requirement. You must maintain a minimum inventory of no less than 1,000 pounds of Factory Candy throughout the term of your Franchise Agreement. In addition, if your Kiosk Store is equipped to cook, you need cooking supplies consisting of chocolate, sugar, glucose, nuts, butter, evaporated milk, fresh and preserved fruit, flavorings and other items, included in the high number.

Note 5: Security Deposits, Utility Deposits, Business Licenses. See Note 5 for full-sized Stores above.

Note 6: Pre-Opening Training, Travel and Living Expenses. See Note 6 for full-sized Stores above.

Note 7: Additional Funds. See Note 7 for full-sized Stores above.

Note 8: Total Estimated Investment. See Note 8 for full-sized Stores above.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must establish and operate your Store in compliance with your Franchise Agreement and the operations manual we loan to you, in the form of several manuals, technical bulletins, cookbooks and other written materials ("**Operations Manual**"), which we may modify occasionally, in our sole discretion. All equipment, services, supplies, materials, uniforms and inventory items that you use or offer for sale through your Store must meet the minimum standards and specifications in our Operations Manual.

You must sell only Factory Candy, Store Candy and Items that we designate. If you want to sell other products, you must first receive our written consent, which we may withhold in our sole discretion. You may not sell any products resembling Factory Candy we manufacture unless you first receive our written consent. In addition, your Store must devote at least 50% of its retail display space to ROCKY MOUNTAIN CHOCOLATE FACTORY bulk chocolates and packaged Factory Candy. The only Store Candy you may sell that we do not supply are those made at your Store that you prepare from recipes found in our Operations Manual through the process of molding, cooking and dipping foods such as cookies, crackers, pretzels, fresh and dried fruit, dog bones and plain chocolates, but you may sell them only if you prepare them according to our recipes and specifications. We will provide you with these recipes and specifications. You may not purchase or manufacture any product such as assorted chocolates or boxed chocolates unless we consent in writing.